

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Eaton Rapids Township	County Eaton
Audit Date 3/31/05	Opinion Date 12/16/05	Date Accountant Report Submitted to State: 1/17/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

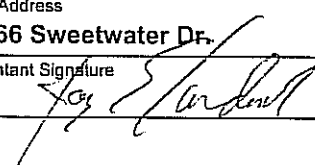
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Cardinal Tepatti & Co., P.C.			
Street Address 11966 Sweetwater Dr.		City Grand Ledge	State MI
Accountant Signature 		ZIP 48837	Date 1/17/06

EATON RAPIDS TOWNSHIP
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Board Members
Eaton Rapids Township
Eaton Rapids, MI 48827

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township, Eaton Rapids, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Eaton Rapids Township, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eaton Rapids Township, Eaton Rapids, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2005.

The management's discussion and analysis, pages 3 through 5, and budgetary comparison information, pages 24 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Board Members
Eaton Rapids Township
Eaton Rapids, MI 48827

Our audit was conducted for the purpose of Eaton Rapids Township, Eaton Rapids, Michigan, basic financial statements. The introductory section and schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and schedule of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cardinal Tegatti & Co. P.C.

Grand Ledge, Michigan
December 16, 2005

**EATON RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2005**

The management of the Eaton Rapids Township, ("the Township") offers this narrative overview and analysis of the financial activities of the Township for the year ended March 31, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Township's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the year by \$877,200 (net assets). Of this amount, \$605,533 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township's total net assets decreased by \$54,020.

Overview of the Financial Statements

The Township's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

For the first time, this report includes government-wide statements as required by GASB Statement Number 34. The government-wide financial statements are designed to provide a broad overview of the Township's financial position. The Statement of Net Assets and the Statement of Activities are two new financial statements that report information about the Township as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, the difference between the two being reported as the Net Assets of the Township. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Focus on Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between governmental funds and governmental activities.

The general fund is the Township's only governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The general fund is considered to be a major fund.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 8 and 10 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-side and fund financial statements. The notes to the financial statements can be found on pages 14 through 23 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's general fund budget on pages 24 through 26.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$877,200 at the close of the most recent fiscal year.

A large portion of the Township's net assets (31 percent) reflects its investment in capital assets (e.g., Township land and buildings, furniture and fixtures, and equipment), less any related debt, none at year end, used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

Condensed Financial Information

The table below compares key financial information in condensed format:

	<u>3/31/05</u>
Current assets	\$ 624,337
Capital assets – net of depreciation	<u>271,667</u>
Total assets	<u>896,004</u>
Other liabilities	<u>18,804</u>
Net assets:	
Invested in capital assets, net of depreciation	271,667
Unrestricted	<u>605,533</u>
Total net assets	<u>877,200</u>
Revenue:	
Taxes	\$ 126,966
Inter-governmental	258,356
Investment earnings	9,947
Other	<u>13,531</u>
Total revenue	408,800
Expenses – Township services	<u>462,820</u>
Change in net assets	\$ <u>(54,020)</u>

Contacting the Township

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Eaton Rapids Township, 2512 S. Canal Rd., Eaton Rapids, MI 48827.

**EATON RAPIDS TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2005**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 392,407
Investments - Certificates of Deposit	215,784
Taxes Receivable	7,054
Accounts Receivable	3,465
Prepaid Insurance	5,627
Capital Assets - Net	<u>271,667</u>
Total Assets	<u>896,004</u>
 LIABILITIES	
Accounts Payable	<u>18,804</u>
Total Liabilities	<u>18,804</u>
 NET ASSETS (DEFICIT)	
Invested in Capital Assets	271,667
Unrestricted	<u>605,533</u>
Total Net Assets	<u>\$ 877,200</u>

The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED MARCH 31, 2005**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					
General Government	\$ 229,241	\$ 11,300	\$		\$ (217,941)
Public Safety	134,686	13,076			(121,610)
Public Works	123,269				(123,269)
Total Governmental Activities	\$ 487,196	\$ 24,376	\$ -0-	\$ -0-	\$ (462,820)
General Revenues:					
Property Taxes					126,966
State Shared Revenue					258,356
Interest Income					9,947
Miscellaneous					13,531
Total General Revenue					408,800
Change in Net Assets					(54,020)
Net Assets (Deficit) - Beginning of Year					931,220
Net Assets (Deficit) - End of Year					\$ 877,200

The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2005**

	<u>General Fund</u>
ASSETS	
Cash	\$ 365,422
Investments - Certificates of Deposit	215,784
Taxes Receivable	7,054
Accounts Receivable	3,465
Due From Other Funds	<u>26,985</u>
Total Assets	<u><u>618,710</u></u>
 LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts Payable	18,804
Deferred Revenue	<u>7,054</u>
Total Liabilities	<u>25,858</u>
Fund Balance	
Fund Balance - Reserved	1,000
Fund Balance - Unreserved	<u>591,852</u>
Total Fund Balance	<u>592,852</u>
Total Liabilities and Fund Balance	<u><u>\$ 618,710</u></u>

The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO STATEMENT OF NET ASSETS
MARCH 31, 2005**

Total fund balance -Total governmental funds	\$ 592,852
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund financial statements.	625,980
Accumulated depreciation has not been included in the governmental fund financial statements.	(354,313)
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	7,054
Prepaid items are not available to pay current-period expenditures and, therefore, not reported in the funds.	<u>5,627</u>
Net assets of governmental activities	\$ <u><u>877,200</u></u>

The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005**

	General Fund
REVENUES	
Taxes	\$ 125,588
Licenses and Permits	9,232
State Grants	258,356
Charges for Services	24,376
Interest and Rentals	9,947
Other Revenue	4,299
	<hr/>
Total Revenues	431,798
	<hr/>
EXPENDITURES	
Current:	
General Government	196,816
Public Safety	139,845
Public Works	123,269
	<hr/>
Total Expenditures	459,930
	<hr/>
Excess of Revenues Over (Under)	
Expenditures	(28,132)
Fund Balance - April 1	620,984
	<hr/>
Fund Balance - March 31	\$ 592,852
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The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED MARCH 31, 2005**

Net Change in Fund Balance - Total Governmental Funds	\$ (28,132)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital asset purchases capitalized	11,603
Depreciation expense	(40,558)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	1,378
Prepaid items reduce expenses reported in the statement of activities, but are reported as expenditures in the governmental funds because they require the use of current financial resources.	
	<u>1,689</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(54,020)</u></u>

The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2005**

	Pension Trust Fund <u>Employee's Retirement System</u>
ASSETS	
Receivables - Employer	\$ 15,565
Investments	<u>177,033</u>
Total Assets	<u>192,598</u>
 LIABILITIES	
Due to Other Governmental Units	<u>-0-</u>
Total Liabilities	<u>-0-</u>
 NET ASSETS	
Held in Trust for Pension Benefits	\$ <u><u>192,598</u></u>

The notes to the financial statements are an integral part of this statement.

**EATON RAPIDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET ASSETS
YEAR ENDED MARCH 31, 2005**

	Eaton Rapids Township Employee's Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 15,565
Investment Income:	
Net Appreciation in Fair Value of Investments	<u>12,726</u>
Total Additions	28,291
DEDUCTIONS	
Benefits	<u>22,764</u>
Change in Net Assets	5,527
Net assets held in trust for pension benefits	
April 1, 2004	<u>187,071</u>
March 31, 2005	<u>\$ 192,598</u>

The notes to the financial statements are an integral part of this statement.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Eaton Rapids Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Windsor Charter Township:

The Reporting Entity

The Township of Eaton Rapids, Michigan is governed by an elected five member board. The accompanying financial statements present the activities of the Township. There are no component units to be included in these financial statements in accordance with accounting principles generally accepted in the United States of America. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds.

Fund Financial Statements

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current resources. The Township has presented the following major governmental funds:

General Fund – The general fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Fiduciary Funds – These funds are used to account for assets held in trust or as an agent for others. The Current Tax Collection Fund and the Pension Trust Fund are the Township's fiduciary funds.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

Private-sector standard of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with standards of the Governmental Accounting Standards Board.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity date within three months or less when acquired.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	20 to 40 years
Land Improvements	15 years
Furniture and Fixtures	5 to 20 years
Machinery & Equipment	4 to 10 years
Vehicles	10 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Accounting Change

Effective July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows: A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included. Entity-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Township Fund Balance at March 31, 2004	\$ 620,984
Net Capital Assets	300,621
Receivables Deferred in Funds	5,677
Prepaid Expenses	<u>3,938</u>
Restated Net Assets – April 1, 2004	<u>\$ 931,220</u>

Property Taxes

The Township property tax is levied on each December 1, on the State taxable valuation of property located in the Township as of the preceding December 31st.

Although the Township 2004 ad valorem tax is levied and collectible on December 1, 2004 it is the Township's policy to recognize revenue from this year's tax levy.

The 2004 State Equalized Valuation of the Township totaled \$145,362,500 and the State Taxable Valuation was \$108,578,300, on which ad valorem taxes levied consisted of .8594 mills and raising \$93,216 for Township operations.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State Law for the general fund. All annual appropriations lapse at fiscal year end. Encumbrances are not employed.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONT'D

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Expenditures in excess of amounts budgeted are a violation of Michigan Law. State law permits entities to amend their budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds

Fund	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund:			
General Government:			
Elections	\$ 7,000	\$ 7,049	\$ (49)
Clerk's Office	36,850	38,317	(1,467)
Cemetery	25,400	25,513	(113)

NOTE 3 – CASH

Michigan Compiled Laws, section 129.91, authorizes the Township to make deposits and invest in the accounts of the federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated five banks for deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 197 has authorized investments in bank accounts and CDs, but not the remainder of State statutory Township as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the following categories:

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH – CONT'D

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 365,422	\$ -0-	\$ 26,985	\$ 392,407
Investments	215,784	-0-	177,033	392,817
Restricted Assets	-0-	-0-		-0-
Total	<u>\$ 581,206</u>	<u>\$ -0-</u>	<u>\$ 204,018</u>	<u>\$ 785,224</u>

The Breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (checking and savings Accounts, certificates of deposit)	\$ 607,841
Investments in Securities, Mutual Funds and Similar Vehicles	177,033
Petty Cash and Cash on Hand	<u>350</u>
Total	<u>\$ 785,224</u>

The bank balance of the primary government's deposits is \$624,851, of which \$593,982 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government's investment balances were categorized as follows:

	Category 1	2	3	Amount (Fair Value)
Pension	\$ 177,033	\$ -0-	\$ -0-	\$ 177,033
Certificates of Deposit	215,784	-0-	-0-	215,784
Totals	<u>\$ 392,817</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 392,817</u>

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Taxes receivable	\$ 7,054
Accounts	<u>3,465</u>
Gross Receivables	10,519
Less: Allowance for Uncollectibles	<u>-0-</u>
Net Receivables	<u>\$ 10,519</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary unit for the current year was as follows:

Government Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated				
Land	\$ 13,000	\$ -0-	\$ -0-	\$ 13,000
Capital Assets Being Depreciated				
Buildings	231,135	1,807	-0-	232,942
Land Improvement	30,220	-0-	-0-	30,220
Vehicles	202,711	-0-	-0-	202,711
Office Equipment	<u>137,311</u>	<u>9,796</u>	<u>-0-</u>	<u>147,107</u>
Subtotal	601,377	11,603	-0-	612,980
Less Accumulated Depreciation	<u>313,755</u>	<u>40,558</u>	<u>-0-</u>	<u>354,313</u>
Net Capital Assets Being Depreciated	<u>287,622</u>	<u>(28,955)</u>	<u>-0-</u>	<u>258,667</u>
Governmental Activities Total				
Capital Assets-Net of Depreciation	<u>\$ 300,622</u>	<u>\$ (28,955)</u>	<u>\$ -0-</u>	<u>\$ 271,667</u>

Depreciation expense totaling \$40,558 was charged to the general government program in the statement of activities.

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 26,985	Current Tax Collection	\$ 26,985
Pension Trust Fund	<u>15,565</u>	General	<u>15,565</u>
Totals	\$ <u>42,550</u>		\$ <u>42,550</u>

NOTE 7 – EMPLOYEE’S RETIREMENT SYSTEM – DEFINED CONTRIBUTION

The Township has a defined contribution pension plan covering substantially all employees who choose to belong to the plan. This benefit is an insurance-type plan administered by plan trustees, "Eaton Rapids Township Pension Plan", under provisions of Section 401(a) of the Internal Revenue Code. As of March 31, 2005, the pension plan's current membership was fifteen employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participants account, the returns earned on the investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. The plan has no annual contribution requirement. Plan contributions will be determined by the Township's Board annually and all contributions have immediate vesting.

For the plan year ended March 31, 2005, the Township's actual contributions amounted to \$15,565. The plan is funded through the Benefit Plan Services, Inc., and had the following activity during the fiscal year ended March 31, 2005.

Balance - April 1, 2004	\$187,071
Contributions	15,565
Gains (Losses) on Investments	12,726
Distributions	<u>(22,764)</u>
Balance - March 31, 2005	<u>\$192,598</u>

EATON RAPIDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – EMPLOYEE'S RETIREMENT SYSTEM – DEFINED CONTRIBUTION – CONT'D

No pension provision changes occurred during the year that affected the required contributions to be made by Eaton Rapids Township.

The pension plan held no securities of Eaton Rapids Township or other related parties during the year or as of the close of the fiscal year.

NOTE 8 – FUND BALANCE – RESERVED

The reserved portion of the fund balance, totaling \$1,000 consists of money contributed to the Township in trust. The revenue from the investment of this money is to be used to purchase flowers for the cemetery.

NOTE 9 - RISK FINANCING

The Township is exposed to various risks of loss related to theft of, damage to, and distribution of assets; errors and omissions; and injuries to employees. The Township participates in the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

The local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool (Pool) pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. The Pool is to provide for joint and cooperative action relative to Members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities with the state.

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

EATON RAPIDS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes:				
Current Taxes	\$ 80,000	\$ 80,000	\$ 97,396	\$ 17,396
Delinquent Taxes	3,000	3,000	-0-	(3,000)
Administrative Fee	20,000	20,000	28,192	8,192
	<u>103,000</u>	<u>103,000</u>	<u>125,588</u>	<u>22,588</u>
Licenses and Permits:				
Dog Licenses	200	200	-0-	(200)
Cable TV Franchise Fees	8,500	8,500	9,232	732
	<u>8,700</u>	<u>8,700</u>	<u>9,232</u>	<u>532</u>
State Grants:				
State Shared Revenue	270,500	270,500	258,356	(12,144)
Charges for Services:				
Cemetery Lot Sales	3,500	3,500	5,800	2,300
Cemetery Internment Fees	3,000	3,000	5,500	2,500
Fire Run Charges	1,750	1,750	1,076	(674)
Fire Protection Services	12,000	12,000	12,000	-0-
	<u>20,250</u>	<u>20,250</u>	<u>24,376</u>	<u>4,126</u>
Interest and Rentals	8,040	8,040	9,947	1,907
Other Revenue	3,000	3,000	4,299	1,299
Total Revenues	<u>413,490</u>	<u>413,490</u>	<u>431,798</u>	<u>18,308</u>
EXPENDITURES				
General Government:				
Legislative:				
Salaries	10,000	10,000	5,100	4,900
Social Security	7,500	7,500	7,429	71
Printing & Publishing	5,000	5,000	3,022	1,978
Postage	6,000	6,000	2,549	3,451
Insurance & Bonds	7,000	7,000	7,973	(973)
Personal Service Award	150	150	138	12
Office Equipment Repair	1,000	1,000	-0-	1,000
Dues & Subscriptions	2,500	2,500	3,017	(517)
Retirement	20,000	20,000	14,922	5,078
Refunds	500	500	143	357
Contingency	15,000	15,000	2,431	12,569

The notes to the financial statements are an integral part of this statement.

EATON RAPIDS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Office Equipment Rentals	1,000	1,000	759	241
Miscellaneous	2,500	2,500	2,099	401
Capital Outlay	15,000	15,000	4,680	10,320
	<u>93,150</u>	<u>93,150</u>	<u>54,262</u>	<u>38,888</u>
Supervisors' Office:				
Salaries - Supervisor	12,500	12,500	12,500	-0-
Assessing	18,400	18,400	17,835	565
Assessing Supplies	250	250	29	221
Office Supplies	500	500	45	455
Travel	150	150	97	53
Legal	15,000	15,000	6,414	8,586
Miscellaneous	2,600	2,600	185	2,415
	<u>49,400</u>	<u>49,400</u>	<u>37,105</u>	<u>12,295</u>
Elections	<u>7,000</u>	<u>7,000</u>	<u>7,049</u>	<u>(49)</u>
Clerk's Office:				
Salaries - Clerk	20,500	20,500	20,500	-0-
Salaries - Deputy Clerk	7,500	7,500	8,467	(967)
Auditor	6,000	6,000	4,935	1,065
Office Supplies	500	500	170	330
Travel	100	100	1,100	(1,000)
Miscellaneous	750	750	1,585	(835)
Board of Review	1,500	1,500	1,560	(60)
	<u>36,850</u>	<u>36,850</u>	<u>38,317</u>	<u>(1,467)</u>
Treasurer's Office:				
Salaries - Treasurer	20,500	20,500	20,500	-0-
Salaries - Deputy Treasurer	10,000	10,000	6,916	3,084
Office Supplies	700	700	629	71
Travel	350	350	549	(199)
Miscellaneous	1,500	1,500	115	1,385
	<u>33,050</u>	<u>33,050</u>	<u>28,709</u>	<u>4,341</u>

The notes to the financial statements are an integral part of this statement.

EATON RAPIDS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Township Hall:				
Supplies	750	750	562	188
Utilities	5,200	5,200	3,012	2,188
Maintenance & Repairs	11,600	11,600	2,287	9,313
Capital Outlay	-0-	-0-	-0-	-0-
	<u>17,550</u>	<u>17,550</u>	<u>5,861</u>	<u>11,689</u>
Cemetery:				
Contract Labor - Lawn Care	15,300	15,300	15,300	-0-
Sexton/Caretaker	100	100	77	23
Internment	5,700	5,700	5,325	375
Maintenance & Repairs	3,800	3,800	4,811	(1,011)
Capital Outlay	500	500	-0-	500
	<u>25,400</u>	<u>25,400</u>	<u>25,513</u>	<u>(113)</u>
Total General Government	<u>262,400</u>	<u>262,400</u>	<u>196,816</u>	<u>65,584</u>
Public Safety:				
Fire & Ambulance	162,060	162,060	106,221	55,839
Capital Outlay - Fire	21,350	21,350	18,920	2,430
Planning Commission	19,000	19,000	14,704	4,296
	<u>202,410</u>	<u>202,410</u>	<u>139,845</u>	<u>62,565</u>
Public Works:				
Drains	8,000	8,000	2,952	5,048
Public Improvement - Roads	130,500	130,500	120,317	10,183
	<u>138,500</u>	<u>138,500</u>	<u>123,269</u>	<u>15,231</u>
Total Expenditures	<u>603,310</u>	<u>603,310</u>	<u>459,930</u>	<u>143,380</u>
Excess of Revenues Over Expenditures	\$ <u>(189,820)</u>	\$ <u>(189,820)</u>	(28,132)	\$ <u>161,688</u>
Fund Balances - April 1			<u>620,984</u>	
Fund Balances - March 31			\$ <u>592,852</u>	

The notes to the financial statements are an integral part of this statement.